STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Care's Third And Fourth Quarter 2014 Large Group HMO Rate Filing	)))	Docket #: GMCB-011-14rr

MVP Health Care's Memorandum in Lieu of Hearing

MVP Health Care (MVP) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the proposed rates as filed. MVP and the Office of the Health Care Ombudsman (HCO) have agreed to waive the hearing before the GMCB in this proceeding.

Introduction

On March 25, 2014, the Board's actuary, Lewis and Ellis Actuaries and Consultants, issued its opinion letter in the above captioned matter. MVP has agreed to waive the hearing in this matter and accepts the actuary's recommendation that the Board approve the rates as filed. In the event the GMCB believes it will not accept MVP's rates as filed, then MVP requests that the GMCB convene a hearing to develop the record on any issues that it believes might be grounds for modification of the filing. To do otherwise would deprive MVP of a meaningful opportunity to be heard.

Description of the Filing

This filing is for MVP's large group HMO line of business. The filing contains the monthly premiums that MVP proposes to charge large group members who enroll or renew coverage during 3Q14 and 4Q14.

MVP is proposing to increase rates for its large group HMO members renewing in 3Q14 by 5.0% over the approved 3Q13 rates and 4Q14 rates by 4.8% over 4Q13 rates. These rates increases are for both the medical and prescription drug component of the premium.

This filing is expected to cover approximately 400 members. MVP has seen its HMO membership migrate to its PPO/EPO products over the last several years.

Lewis and Ellis Recommendation

This is a manual large group filing, which rather than setting our actual premium rates, provides the methodology MVP will use to develop premium rates for each individual large group business. This is because large groups are experienced rated. Lewis and Ellis reviewed MVP's assumptions and adjustments made to the experience data set for large claims and expense loads, and also reviewed projected loss ratios and how these projected ratios compared to MVP's historical experience. They found MVP's rate development methodology to be reasonable and appropriate. This is so in light of the fact that both MVP and Lewis and Ellis find that the low membership makes this a non-credible line and leads to higher volatility in medical loss ratios. Lewis and Ellis found MVP's assumptions to address this situation to be reasonable and appropriate.

They further found MVP's development of facility and outpatient trend levels to be appropriate and justified by the support provided (see below for discussion of the outpatient trend). They concurred with the development of the Rx trend and the experience rating formula.

MVPHIC's Response to the Recommendation

MVP supports the actuary's recommendation and requests that the Board approve the rate request as filed.

MVP would like to take this opportunity to make a clarification on our expense load for administrative cost. We propose using the same 9.5% load for administrative costs that our sister company, MVP Health insurance Company (MVPHIC), uses for its load. This is so even though the administrative load in our NAIC filing for our HMO product is 8.1%, the administrative load for MVPHIC for the PPO/EPO products in the NAIC filing is 11%. We use 9.5% for both companies, so on average, when both companies are combined, the administrative load is around 10%. We therefore feel that the 9.5% load for both companies is reasonable. This was not explained in detail in the actuary's opinion. Because of this averaging, it would not be appropriate for the Board to reduce our administrative load for one company, and not raise it for the other.

As to the 16.6% physician trend in this filing, we realize this is significantly higher than past trends, and is due to the termination of a risk arrangement between it and a large provider group, and a new contract negotiation that resulted in significant cost increases.

MVP knows the Board understands its profitability situation in Vermont, and the volatile levels of its Medical Loss Ratio in this book of business, which leads to the importance of it contributing to its reserves. MVP points out and emphasizes that although its anticipated traditional loss ratio for its HMO business is now expected to be 82.1% and the expected federal loss ratio is expected to be 85.3%, *these numbers are much lower than in recent years*. Its loss ratios ranged from 92.5% in 2010/2011 to a high of 100.1% in 2011-2012. This illustrates the very high volatility of this book of business. In light of this, we continue to ask the Board not to further reduce contributions to reserves in these filings, and approve the 2% contribution to surplus as filed (and as recommended by Lewis and Ellis).

Therefore, because Lewis and Ellis found that the rates as filed are not excessive, inadequate or unfairly discriminatory, MVP asks the Board to approve the rates as filed.

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Susan Gretkowski, Esq.
MVP Health Care
66 Knight Lane
Williston, VT 05495
802-264-6532 (office)
802-505-5058 (cell)
sgretkowski@mvphealthcare.com

Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, counsel of record for the Office of the Health Care Ombudsman, by electronic mail this 9th day of April, 2014.

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Susan Gretkowski, Esq.
MVP Health Care
66 Knight Lane
Williston, VT 05495
802-264-6532 (office)
802-505-5058 (cell)
sgretkowski@mvphealthcare.com